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FM SECSTATE WASHDC
TO RUEHBUL/AMEMBASSY KABUL IMMEDIATE 8554
RHEHNSC/NSC WASHINGTON DC PRIORITY 2482
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY

UNCLAS STATE 007480

SENSITIVE
SIPDIS

E.O. 12958: N/A
TAGS: [EAID](#) [ECON](#) [EFIN](#) [PGOV](#) [IMF](#) [AF](#)
SUBJECT: DEMARCHE: PRESS AFGHAN GOVERNMENT TO MEET IMF
BENCHMARKS

REF: KABUL 3277

¶1. (SBU) This is an Action Request, see paragraph 2.

¶2. (SBU) ACTION REQUEST: Upon receipt of this demarche, the Ambassador is requested to convey the importance of stronger compliance with Afghanistan,s International Monetary Fund (IMF) program to President Karzai. The Ambassador should encourage chiefs of missions at resident embassies in Kabul that the U.S. government is making this demarche and encourage them to make joint representations to President Karzai.

¶3. (SBU) Suggested Talking Points:

I have been instructed by Washington agencies to stress the need for stronger compliance with Afghanistan,s IMF program.

The IMF,s program review mission in December documented serious slippage in revenue collection, particularly in customs.

Strong compliance with the IMF program, supporting the Ministry of Finance,s efforts to increase revenue generation, requires your close personal attention.

An improvement in revenue collection is necessary for Afghanistan to complete the next review of the IMF program. This is a prerequisite for Afghanistan to achieve the debt relief negotiated with Paris Club creditors, including Russia.

It is critical that Afghanistan both demonstrate to the international community, in the form of a realistic target, its firm resolve to increase revenues and take timely concrete steps to improve collection.

Such measures would also strengthen the legitimacy of the Afghan Government by increasing its available resources and would provide your government with added resources to spend on delivering services to the population at a time of growing pressures on the public budget.

Furthermore, the donor community will be more likely to meet their commitments expressed at the June Paris Donors conference if your government demonstrates adherence to the program.

We have discussed this issue with other donors and have found broad international agreement that the following actions by your government are critical to address the revenue shortfall and remain in compliance with the IMF program:

Encourage Parliament to enact pending tax amendments, including applying the business receipts tax to imports.

Instruct the Minister of Commerce and Industry to implement

an MOU already agreed between the Finance and Commerce ministries, enabling Finance to assess and collect customs duties and taxes owed by the Fuel and Liquid Gas Enterprise.

Instruct your Cabinet to provide the Ministry of Finance with the support to collect taxes from all taxpayers, regardless of their political connections.

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